BERENBERG Markets

MONITOR

25 March 2024

Current market commentary

The US Federal Reserve signalled to investors last week that it is comfortable with interest rate cuts and an imminent slowdown in balance sheet reduction despite rising inflation risks. This should not only have pleased US Treasury Secretary Janet Yellen, who is struggling with an increase in new debt. Risk assets also celebrated the dovish Fed. Equities and commodities were among the big winners. The fact that the Swiss National Bank surprised investors with its first interest rate cut of 25 basis points, thereby setting itself apart from the Fed, ECB and BOE, also had a supportive effect. The Brazilian central bank (BCB) also lowered its key interest rate last week, by a further 50 basis points. Since the start of its monetary easing cycle in August last year, the BCB has cut interest rates by 300 basis points. The preliminary purchasing managers' indices for March also fuelled hopes of a cyclical recovery in the global economy.

The bi-weekly ***Monitor*** gives you a structured overview of the current capital market environment and highlights important developments:

- Performance
- Positioning
- Sentiment
- Surprise Indicators
- Economics
- Foreign Exchange
- Equities
- Sovereign Bonds & Central Banks
- Corporate Bonds
- Commodities

Short-term outlook

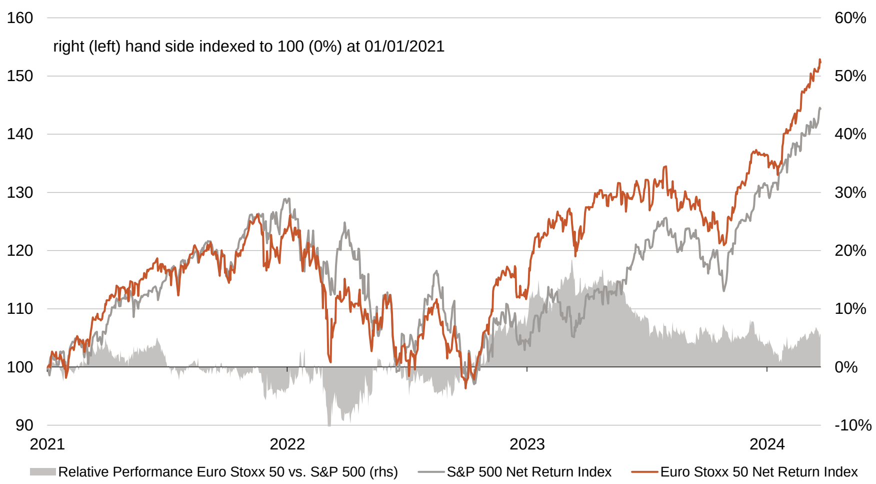
After the major central bank meetings, things are now becoming quieter in terms of (monetary) policy. The OPEC+ meeting will take place on 3 April, but little new impetus is expected from this meeting until the end of the second quarter due to the cuts that have already been agreed. The minutes of the ECB's March meeting will be published on 4 April.

In the US, new home sales (Feb) will be published today and preliminary durable goods orders (Feb) and Conference Board consumer confidence (Mar) tomorrow. On Wednesday, ESI economic confidence (Mar) for the eurozone is on the agenda. GDP figures (Q4), the Chicago PMI (Mar) and consumer confidence from the University of Michigan (Mar) will follow for the USA on Thursday and US household income and spending (Feb) on Friday. In the following week, investors will focus on the US and European purchasing managers' indices (Mar), US labour market data (Mar) and European inflation data (Mar).

Quiet central bank weeks draw investors' attention to economic data.

Investor focus on consumer confidence, purchasing managers' indices and inflation data.

Europe shines even without glitter



- While the "Magnificent 7" have been on everyone's lips lately and the S&P 500 is synonymous with innovation and strong growth among investors, the European stock market is no slouch compared to its US counterpart.
- In fact, despite the war, the energy crisis and dependence on Chinese exports, the Euro Stoxx 50 has slightly outperformed the S&P 500 in local currency terms since 2021. This is because there are leaders in growing sectors (semiconductors, healthcare, etc.) whose weight in the main indices is increasing.

Source: Bloomberg, Time period: 01/01/2021 - 22/03/2024

Multi Asset

	4W (23/02/24 - 22/03/24)	YTD (29/12/23 - 22/03/24)	22/03/23 22/03/24	22/03/22 22/03/23	22/03/21 22/03/22	22/03/20 22/03/21	22/03/19 22/03/20
Gold	6.5	7.2	10.4	4.1	19.6	3.9	20.6
Brent	6.2	15.6	23.3	-13.5	114.6	71.6	-47.6
MSCI World	3.2	11.1	29.6	-8.3	18.9	54.4	-14.9
Industrial Metals	2.9	2.0	-4.7	-19.4	49.8	42.1	-17.0
Global Convertibles	2.3	2.8	10.5	-12.6	-2.4	80.6	-14.5
MSCI Frontier Markets	2.3	7.1	15.2	-16.9	17.4	28.1	-16.3
MSCI Emerging Markets	1.5	4.3	10.9	-10.7	-6.3	51.8	-17.6
EUR Coporates	0.8	0.2	6.9	-7.9	-5.8	9.2	-3.6
EUR Sovereign Debt	0.6	-0.6	3.7	-7.7	-3.9	2.1	1.0
Euro overnight deposit	0.3	0.9	3.7	0.6	-0.6	-0.5	-0.4
USDEUR	0.1	2.1	0.4	1.6	8.2	-10.4	5.7
REITs	0.1	-1.9	8.1	-23.2	25.9	29.0	-24.3

Column groups: 4-week & YTD; 12-month periods over that last 5 years

MSCI World: MSCI World Net Return; MSCI Emerging Markets: MSCI EM Net Return; MSCI Frontier Markets: MSCI Frontier Markets Net Return;
REITs: MSCI World REITs Index; EUR Sovereign Debt: IBOXX Eurozone Sovereign 1-10Y TR; EUR Corporates: IBOXX Euro Corporates Overall TR;
Global Convertibles: SPDR Convertible Securities ETF; Gold: Gold US Dollar Spot; Brent Crude: Bloomberg Brent Crude Subindex TR;
Industrial Metals: Bloomberg Industrial Metals Subindex TR; Euro overnight deposit: ICE BofA Euro Overnight Deposit Rate Index; USDEUR: Price of 1 USD in EUR.

- The precious metal gold continued its upward trend of recent weeks, supported by central bank purchases and strong physical demand in China. Drone attacks by the Ukrainian armed forces on refineries in Russia and better-than-expected economic data from China boosted Brent crude oil.
- Persistent concerns in the property sector on both sides of the Atlantic weighed on REITs, which have brought up the rear in the performance rankings since the beginning of the year.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 22/03/2019 – 22/03/2024

Equities

	4W (23/02/24 - 22/03/24)	YTD (29/12/23 - 22/03/24)	22/03/23 22/03/24	22/03/22 22/03/23	22/03/21 22/03/22	22/03/20 22/03/21	22/03/19 22/03/20
MSCI Japan	5.3	14.5	30.1	-4.5	-2.3	46.3	-15.1
Stoxx Europe Cyclicals	5.2	8.8	25.2	-2.8	9.4	66.8	-26.0
DAX	4.5	8.7	19.6	5.1	-1.3	64.2	-21.4
Euro Stoxx 50	3.4	11.6	23.0	9.6	4.4	53.5	-20.8
S&P 500	3.2	12.7	34.9	-9.4	25.8	55.4	-11.1
MSCI USA Small Caps	3.1	5.6	22.6	-11.9	7.1	100.4	-28.7
MSCI UK	3.0	4.8	12.3	-0.6	22.4	38.5	-29.8
Stoxx Europe Small 200	2.8	3.2	11.7	-12.5	3.8	66.5	-22.8
Stoxx Europe 50	2.5	8.2	17.8	6.1	15.9	34.7	-16.2
Stoxx Europe Defensives	2.4	4.1	12.5	1.3	17.7	26.9	-15.3
MSCI EM Asia	2.0	5.3	8.9	-9.9	-10.2	54.4	-12.2
MSCI EM Latin America	-0.3	-2.7	27.5	-9.3	26.9	42.2	-39.9

Column groups: 4-week & YTD; 12-month periods over that last 5 years

S&P 500: S&P 500 TR (US-Equity); Stoxx Europe 50: Stoxx Europe 50 TR; Euro Stoxx 50: Euro Stoxx 50 TR; MSCI Japan: MSCI Japan TR;
Stoxx Europe Small 200: Stoxx Europe Small 200 TR; MSCI USA Small Caps: MSCI USA Small Caps TR; Stoxx Europe Cyclicals: Stoxx Europe Cyclicals TR;
Stoxx Europe Defensives: Stoxx Europe Defensives TR; DAX: DAX TR; MSCI United Kindom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR;
MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- Fed Chairman Powell's comments that the strong hiring in the US labour market alone would not prompt the Fed to wait to cut interest rates and that an easing of monetary policy this year would be appropriate gave the global equity rally another boost.
- Despite the continuing weakness of the manufacturing sector in Germany, the DAX reached another all-time high of over 18,200 points last week.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 22/03/2019 – 22/03/2024

Fixed Income

	4W (23/02/24 - 22/03/24)	YTD (29/12/23 - 22/03/24)	22/03/23 22/03/24	22/03/22 22/03/23	22/03/21 22/03/22	22/03/20 22/03/21	22/03/19 22/03/20
EM Hard Currency Bonds	2.4	4.1	12.0	-4.9	-1.2	9.2	-5.7
Gilts	1.4	-0.9	2.1	-20.8	-3.6	1.9	1.5
BTPs	1.3	0.9	6.6	-10.4	-6.4	8.3	7.5
USD High Yield	1.1	1.4	12.5	-4.0	-0.6	31.0	-13.1
EUR Financials	0.9	0.7	8.1	-7.9	-5.3	10.1	-4.5
USD Corporates	0.9	-0.2	4.9	-4.7	-5.1	16.9	-2.0
Treasuries	0.6	0.9	-0.5	-2.0	3.7	-12.7	17.9
EUR Non-Financials	0.6	-0.2	6.1	-8.0	-6.2	8.6	-3.0
Chinese Sovereign Bonds	0.5	2.2	6.6	3.7	5.6	0.2	6.6
Bunds	0.5	-1.7	1.9	-12.2	-4.9	-1.2	2.9
EM Local Currency Bonds	0.3	0.0	7.1	0.6	-3.7	5.4	-4.7
EUR High Yield	0.1	1.5	11.3	-4.8	-3.2	27.8	-13.6

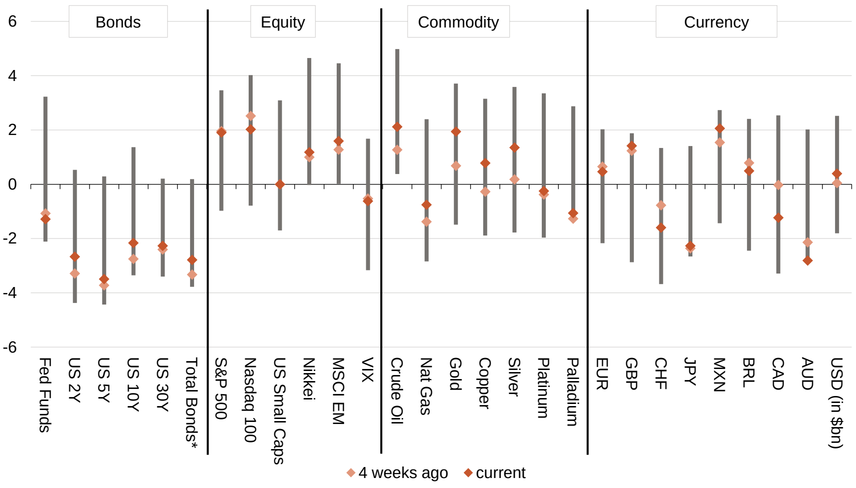
Column groups: 4-week & YTD; 12-month periods over that last 5 years

Bunds: IBOXX Euro Germany Sov TR ; BTPs: IBOXX Euro Italy Sov TR ; Treasuries: ICE BofA US Treasury TR;
Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials.: IBOXX Euro Fin. Overall TR;
EUR Non-Financials: IBOXX Euro Non-Fin. Overall TR; EUR High Yield: ICE BofA EUR Liquid HY TR; USD Corporates: ICE BofA USD Corp TR;
USD High Yield: ICE BofA USD Liquid HY TR; EM Hard Currency: JPM EMBI Glo Div Unh. EUR TR; EM Local Currency: JPM GBI-EM Glo Div Comp Unh. EUR TR

- Bonds have gained across the board in the last four weeks. Better than expected economic data in the emerging markets and the resulting narrowing of spreads helped EM government bonds in hard currency to the top of the performance rankings.
- The lower than expected inflation rate in the UK in February supported British government bonds.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 22/03/2019 – 22/03/2024

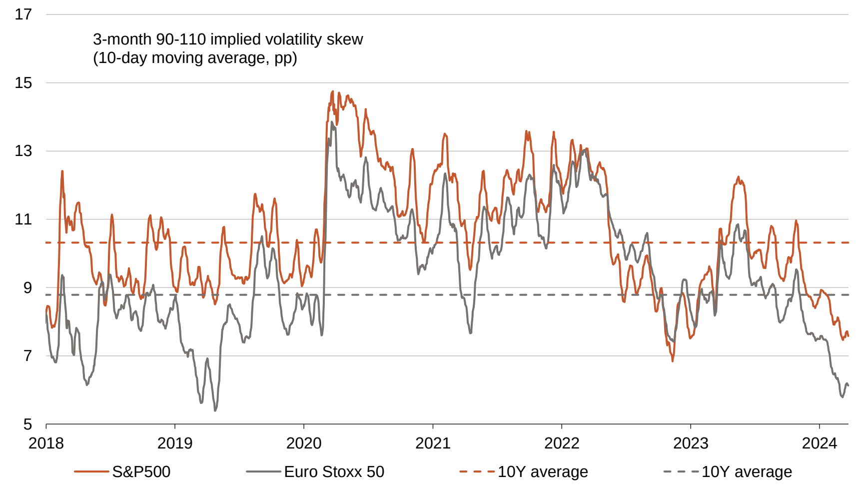
Non-Commercial Positioning



- There has been a rotation in equity positioning over the past month. Hedge funds have reduced long positions in US tech stocks and built up long positions in EM equities in return.
- Net long positions in commodities rose significantly across the board.

The Commodity Futures Trading Commission (CFTC) publishes the Commitments of Traders report every Friday. The chart shows the historical, normalised distribution in standard deviations and focuses on the net futures position (long positions minus short positions) of "non-commercial traders" (bonds, currencies), "asset managers/institutional" & "leveraged funds" (equities) and "managed money" (commodities) and shows how speculative investors are positioned. *Weighted with the respective duration
Source: Bloomberg, CFTC, Time period: 19/03/2014 - 19/03/2024

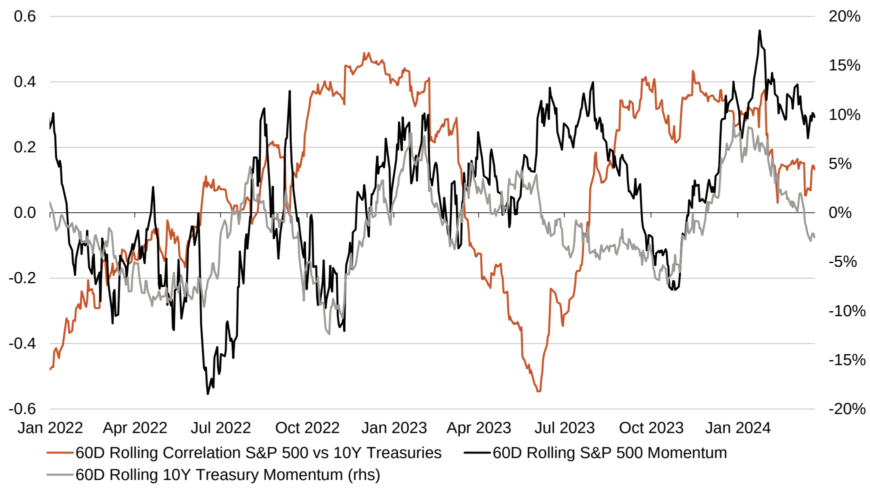
Put-Call-Skew



- The put-call skew has recently stabilised at a very low level. Thanks to simultaneously low implied volatility and high short-term interest rates, hedging remains very cheap by historical standards. For example, a put option on the S&P 500, which is 5% out of the money and has a term of 2 months, currently costs just 50 bp.

The put-call skew (90-110) indicates the difference in implied volatility of puts versus calls whose strike is 10% away from the current underlying in each case. It is a measure of how much more investors are willing to pay for hedging (puts) versus upside participation (calls). The higher (lower) the skew, the more cautious (optimistic) market participants are. Moreover, the skew typically increases with the level of implied volatility.
Source: Bloomberg, period: 22/03/2014 - 22/03/2024

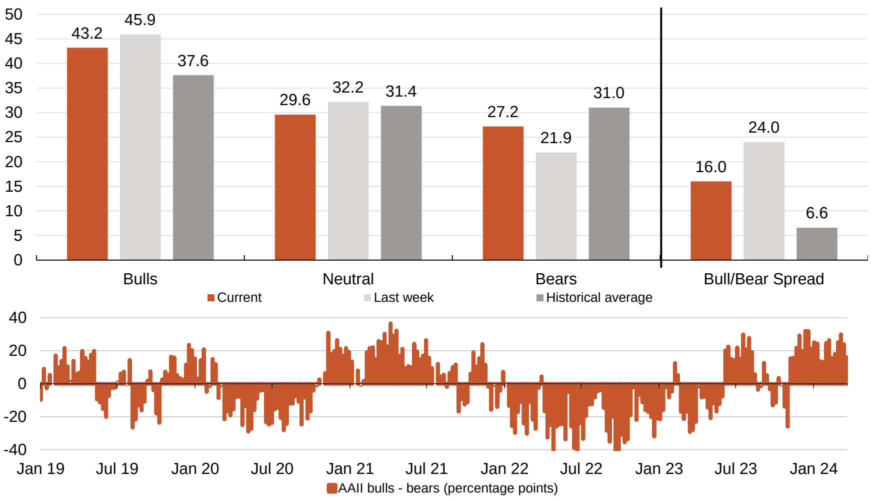
60-Day Momentum and Correlation



- Momentum in US Treasuries is negative again. Although it is still clearly positive for the S&P 500, it has also lost some strength.
- Due to the lower correlation between equities and bonds in combination with the low volatility, risk parity strategies in particular are likely to have increased their equity allocations recently.

The 60-day momentum indicates the rolling return of the last 60 days. The more the momentum rises (falls), the more systematic momentum strategies build up (reduce) their positions in the corresponding asset class. Changes in the sign of the return mark important turning points. The 60-day correlation indicates how equitably stocks and bonds move. The higher (lower) the correlation, the fewer (more) equities demand risk-based investment strategies.
Source: Bloomberg, Time period: 31/12/2021 - 22/03/2024

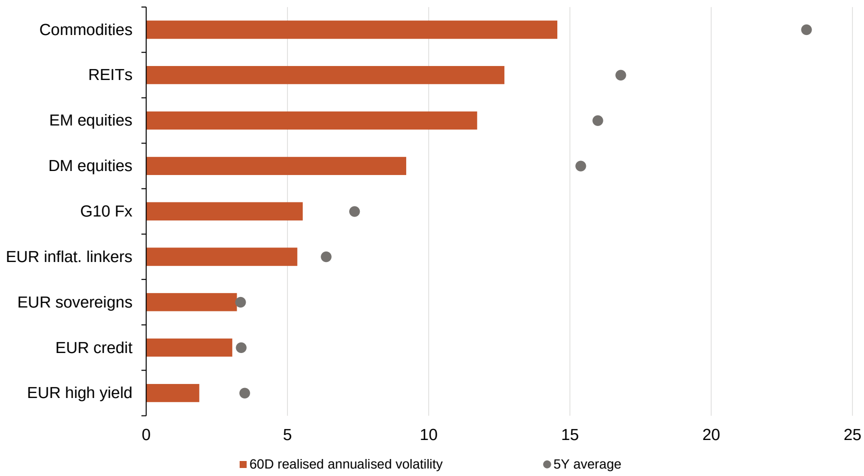
AAII Sentiment Survey (Bulls vs Bears)



- Although the sentiment of US private investors is still clearly positive with a bull/bear spread of 16 ppts, the spread has been declining since the beginning of March.
- At the current level, the informative value of the sentiment survey is limited. It can serve as a counter-indicator, especially in the case of extreme values.

The Sentiment Survey, conducted by the American Association of Individual Investors, determines the percentage of individual investors who are optimistic, pessimistic or neutral about the US stock market over a six-month period. It has been conducted since 1987. The survey is conducted from Thursday to Wednesday and the results are published every Thursday. For the stock market, it tends to be supportive when there is a high proportion of bears and a low proportion of bulls. On the other hand, it tends to be negative when there are significantly more optimists than pessimists.
Source: Bloomberg, AAII, Time period: 23/07/87 – 21/03/2024

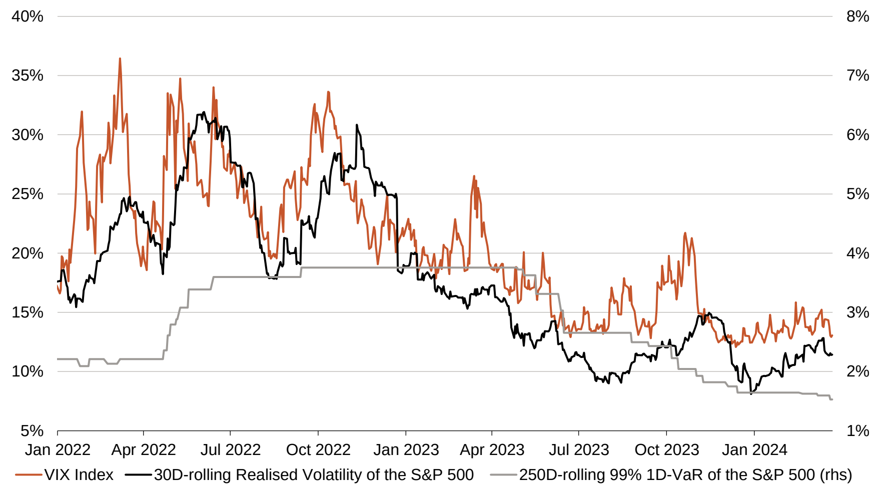
Realised Volatilities



- The realised volatility over the last 60 days is now below the average of the last 5 years in all asset classes shown here.
- Furthermore, no asset class has a volatility of 16% or more. On average, fluctuations were therefore less than 1% per day everywhere.

The realised volatility (in per cent) measures the fluctuation range of a time series and is defined here as the standard deviation of the daily return over the last 60 trading days. Volatility is often used as a measure of risk.
Source: Bloomberg, period: 22/03/2019 - 22/03/2024

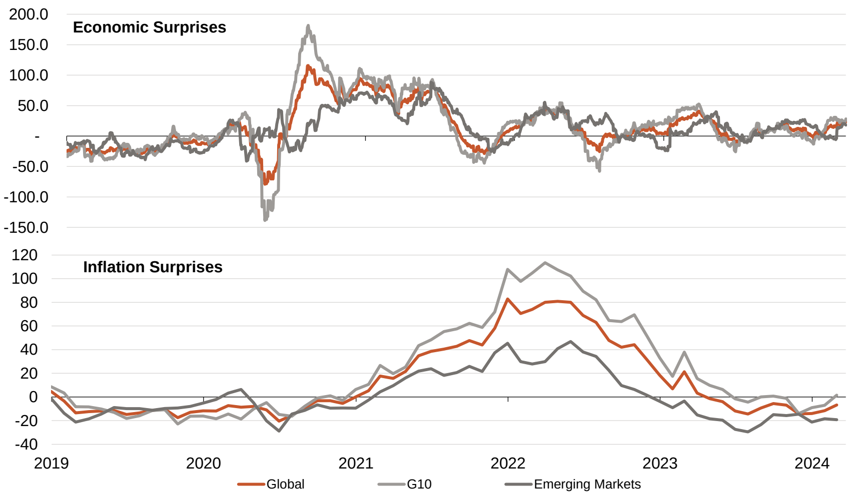
Volatility and Value-at-Risk of the S&P 500



- The VIX has been fluctuating below the 15 mark almost without exception since the beginning of the year, whereas the historical average since its launch in 1990 is around 20.
- Although hedging is currently inexpensive, it has not yet paid off in recent months.

The VIX index is a measure of the implied volatility of the S&P 500 priced in options over approximately the next 30 days. Realised volatility indicates the range of variation in daily returns. The historical 99% value-at-risk indicates the minimum loss of the days that belong to the worst 1% of the observation period. The higher (lower) the VIX, realised volatility and value-at-risk, the fewer (more) stocks demand risk-based investment strategies.
Source: Bloomberg, period: 31/12/2021 – 22/03/2024

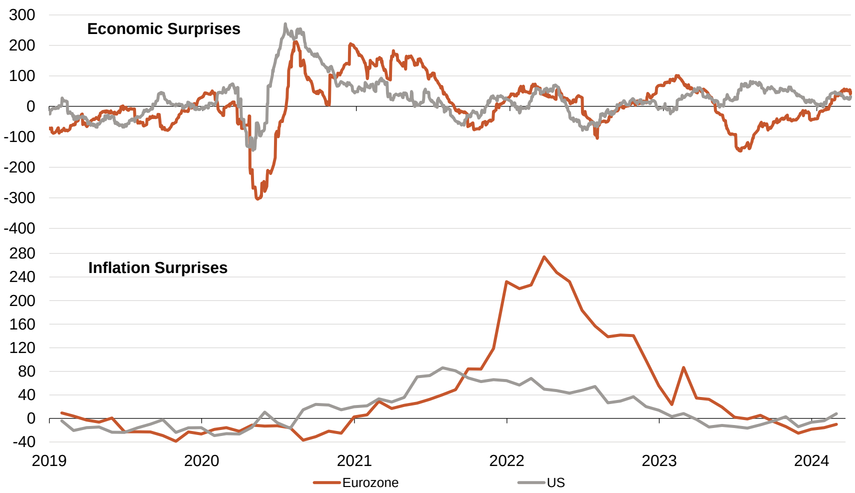
Global



- Global economic surprises have been increasingly positive over the past two weeks, both in industrialised and emerging markets.
- In Brazil, for example, retail sales surprised to the upside in January. In Mexico, industrial production exceeded expectations in January.
- In India, on the other hand, industrial production surprised to the downside in January. In Poland, retail sales were disappointing in February.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 – 22/03/2024

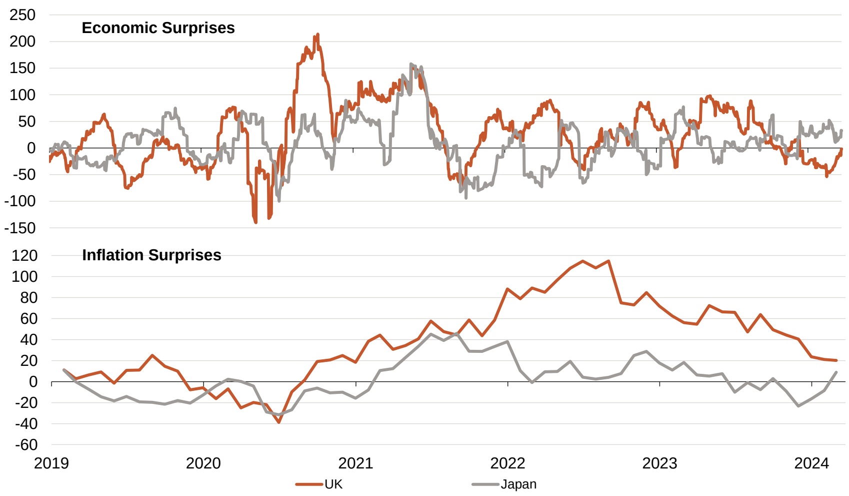
Eurozone and US



- While the economic data in the US continued to surprise positively in the last two weeks, the positive surprises in the eurozone diminished. Industrial production in January and the PMI manufacturing index in March were worse than expected in the eurozone. In the US, the latest initial jobless claims surprised to the downside and industrial production to the upside in February.
- Ongoing inflation in the US surprised slightly on the upside in February.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 – 22/03/2024

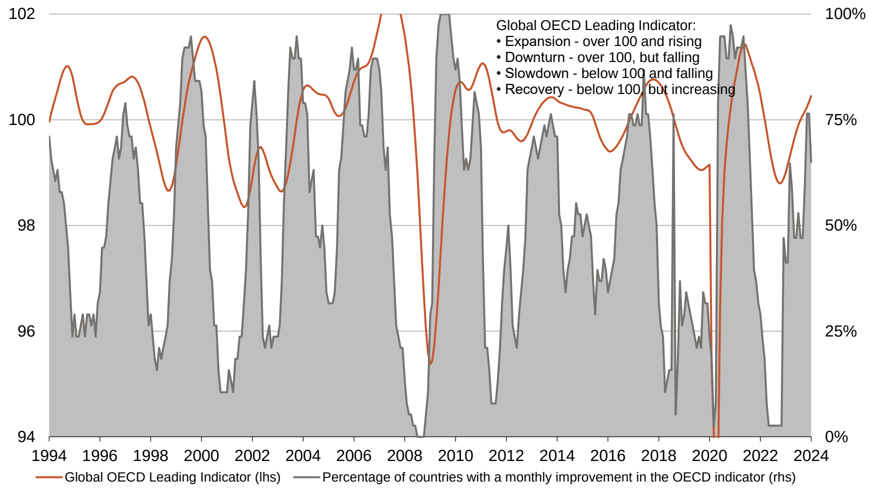
UK and Japan



- In the UK, the PMI for the manufacturing sector surprised to the upside in March, while the PMI for the services sector fell slightly.
- In the UK, the PMI for the manufacturing sector surprised to the upside in March, while the PMI for the services sector surprised slightly to the downside.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. The indices use a time decay function to replicate the markets' limited memory, i.e. the weight of a data surprise decreases over time.
Source: Bloomberg, Time period: 01/01/2019 – 22/03/2024

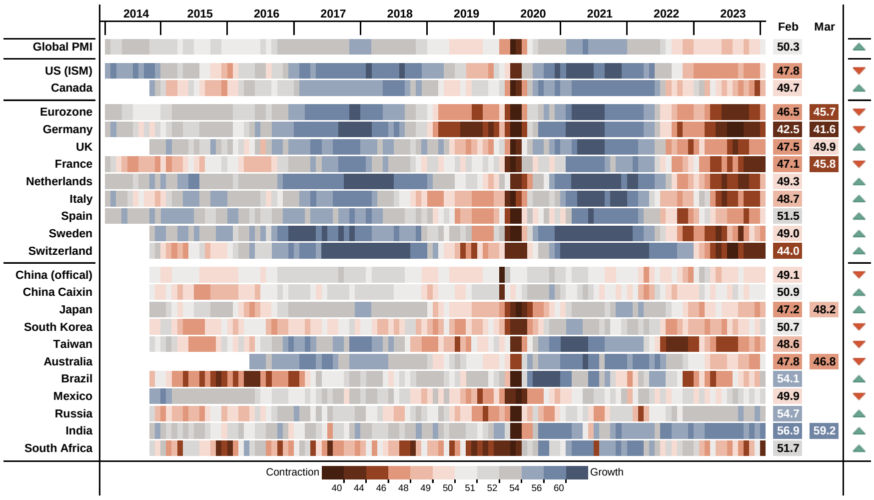
OECD Leading Indicator



- The global economic recovery continued in February. With a value of 100.6, the OECD leading indicator is above the 100 mark for the seventh month in a row.
- According to the leading indicator, 76% of the countries surveyed saw an improvement in the economic situation in February compared to the previous month. Mexico recorded the strongest increase in the economic situation.

The OECD Leading Indicator is composed of a set of selected economic indicators whose composition provides a robust signal of future turning points. A turning point usually signals a turning point in the business cycle in 6-9 months. However, lead times are sometimes outside this range and turning points are not always correctly identified.
Source: Bloomberg, Time period: 31/01/1994 – 22/03/2024

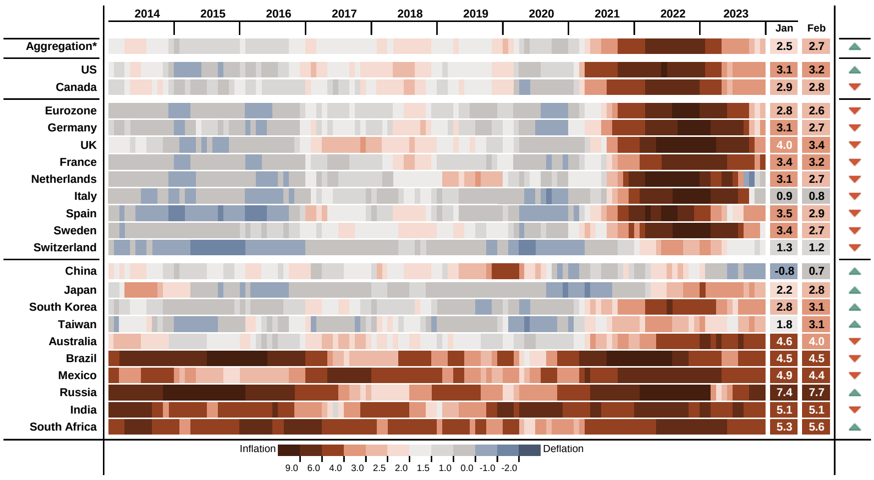
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The first PMI data indicated a further decline in industrial activity in the eurozone in March. In Germany, the index fell to its lowest level since October last year. In Japan and the UK, however, the purchasing managers' index rose compared to the previous month.

The PMI is an overall index that provides a general overview of the economic situation in industry. The PMI is derived from a total of eleven sub-indices, which reflect the respective change from the previous month. A value of 50 is regarded as neutral, a value of over 50 points as an indicator of rising and a value of under 50 points as an indicator of declining activity in industry compared to the previous month. On average, the index has a lead time before actual industrial production of three to six months. The PMI is based on a survey of a relevant selection of purchasing managers on the development of key indicators such as new orders.
Source: Bloomberg, Time period: 01/01/2014 – 22/03/2024

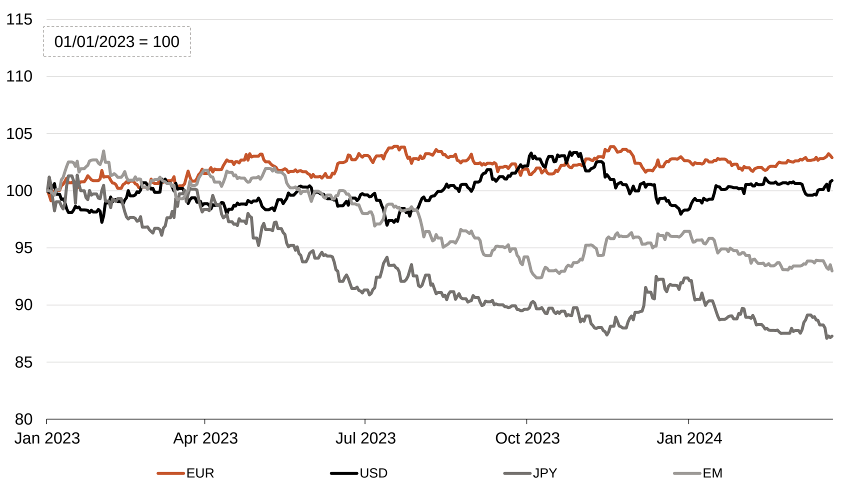
Headline Inflation



- Inflation data showed regional differences in February. While the downward trend in the European core countries continued, the inflation rate in the US rose compared to the previous month, with core goods inflation returning to positive month-on-month growth for the first time since May last year.

Inflation (in %, compared to the previous year) is measured using a consumer price index, also called a basket of goods. This basket contains all goods and services that a household purchases on average per year. * = Weighting according to gross domestic product.
Source: Bloomberg, Time period: 01/01/2014 – 22/03/2024

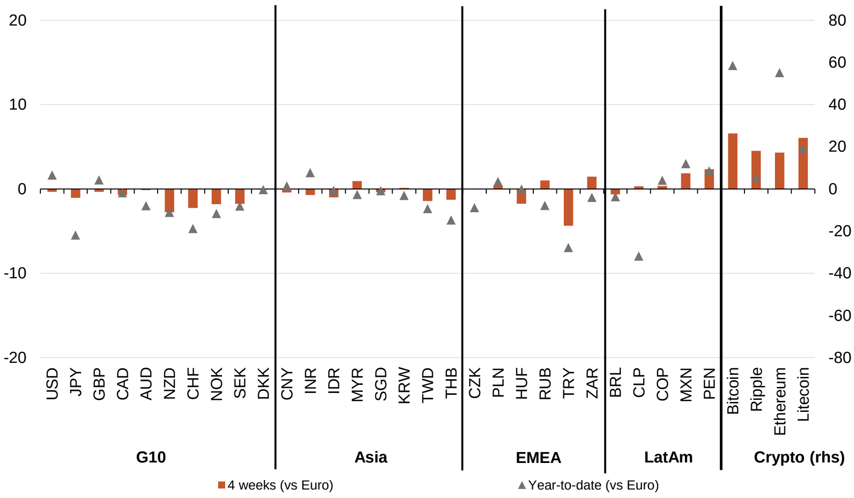
Trade-Weighted Currency Development



- The upward inflation surprises in consumer and producer prices in the US in February have once again given the US dollar a tailwind over the past two weeks. In his press conference, Federal Reserve Chairman Jerome Powell pointed out that while the inflation surprises in February could be seen as seasonal, he expected a slower decline in goods inflation than recently anticipated.

A trade-weighted index is used to measure the effective value of an exchange rate against a basket of currencies. The importance of other currencies depends on the share of trade with the country or currency zone.
Source: Bloomberg, Time period: 01/01/2023 - 22/03/2024

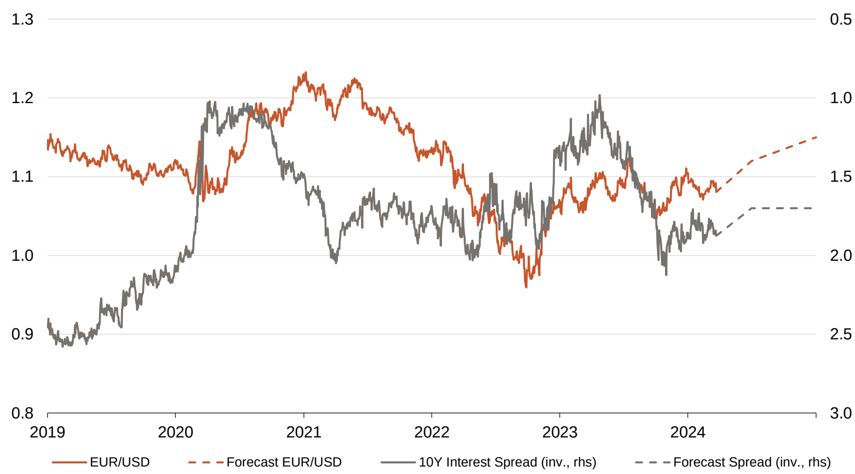
Currency Moves vs Euro



- After its meeting last week, the BoJ decided to raise the short-term policy rate for the first time since 2007, ending the negative monetary policy introduced in 2016. However, the central bank will continue to buy government bonds and BoJ Governor Ueda was cautious about further rate hikes, which weighed on the yen.
- The Turkish central bank surprisingly raised the key interest rate to 50% in order to stabilise the lira, which has fallen sharply since the beginning of the year.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 22/03/2024

EUR/USD Exchange Rate and Interest Rate Differential of 10Y Bonds



- After its meeting last week, the US Federal Reserve decided to leave the key interest rate unchanged and Fed Chairman Powell pointed out that the latest inflation data indicated that the decision against a rapid rate cut was the right one. The interest rate differential between US and German government bonds remained just below the 190 bp mark.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US government bonds and 10-year Bunds. The forecasts were prepared by Berenberg Economics.
Source: Bloomberg, Time period: 01/01/2019 - 31/12/2024

European Sector & Style Performance

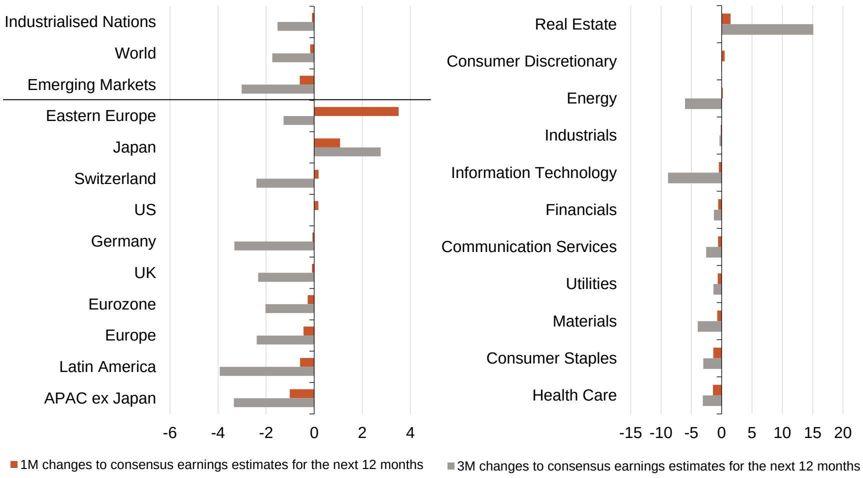
	4-week & YTD: 4W (23/02/24 - 22/03/24)	4-week & YTD: YTD (30/12/23 - 22/03/24)	22/03/23 22/03/24	22/03/22 22/03/23	22/03/21 22/03/22	22/03/20 22/03/21	22/03/19 22/03/20
			12-month periods over that last 5 years				
Finance	6.8	9.8	28.4	2.3	12.1	54.6	-30.7
Materials	6.2	3.1	14.6	-8.9	15.9	75.3	-25.2
Energy	5.2	3.5	15.2	15.9	33.9	57.6	-52.8
Industrials	4.1	10.4	26.6	0.7	9.4	71.4	-21.5
Value	3.5	3.7	15.7	1.8	11.8	49.7	-30.8
Information Technology	2.9	18.8	37.8	-4.1	9.8	65.4	-10.9
Utilities	2.6	-5.8	2.8	0.8	5.6	31.3	-4.6
Growth	2.2	10.1	18.2	-0.8	10.6	42.0	-9.5
Health Care	0.9	7.1	16.1	-3.7	21.9	17.4	0.8
Consumer Discretionary	0.4	10.9	11.6	12.6	-5.7	81.9	-22.9
Telecommunications	0.2	2.7	4.4	-1.9	5.4	28.1	-25.9
Consumer Staples	-3.2	-2.3	-5.0	2.1	12.3	16.0	-9.3

Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. NR; Materials: MSCI Europe Materials NR; Communication Services: MSCI Europe Communication Services NR; Utilities: MSCI Europe Utilities NR; Value: MSCI Europe Value NR; Growth: MSCI Europe Growth NR.

- Stock markets have continued to soar over the past four weeks. The latest dovish statements by the Fed and the BoE as well as the first interest rate cut by the Swiss central bank boosted cyclical and interest rate-sensitive shares in particular. The Stoxx Europe 600 even reached a new all-time high.
- At sector level, financial and basic materials stocks led the way, while consumer staples brought up the rear.

Total return of European equity sectors and European style indies, in euros and in percent, sorted by 4-week performance. The difference between Value and Growth lies in the valuation. A growth stock is highly valued because the company is expected to grow strongly. Value stocks usually have less growth potential and are valued lower.
Source: Factset, Time period: 22/03/2019 – 22/03/2024

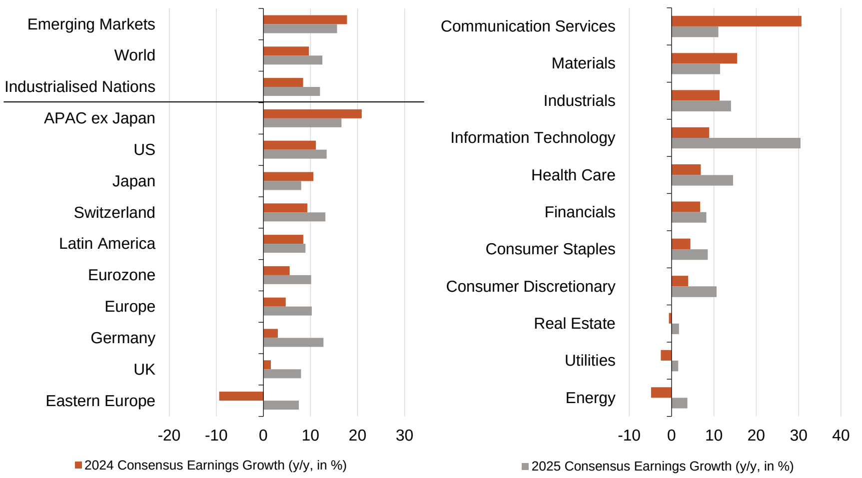
Changes in Consensus Earnings Estimates



- Analysts have revised their earnings estimates slightly downwards over the last month – particularly for emerging markets. Analysts have become more pessimistic especially for Latin America and Asia over the last month.
- Positive profit revisions were recorded above all in Eastern Europe and Japan.

1-month and 3-month changes in consensus earnings estimates for the next 12 months of the regional and Europe sector MSCI indices, in per cent.
Source: FactSet, as of 22/03/2024

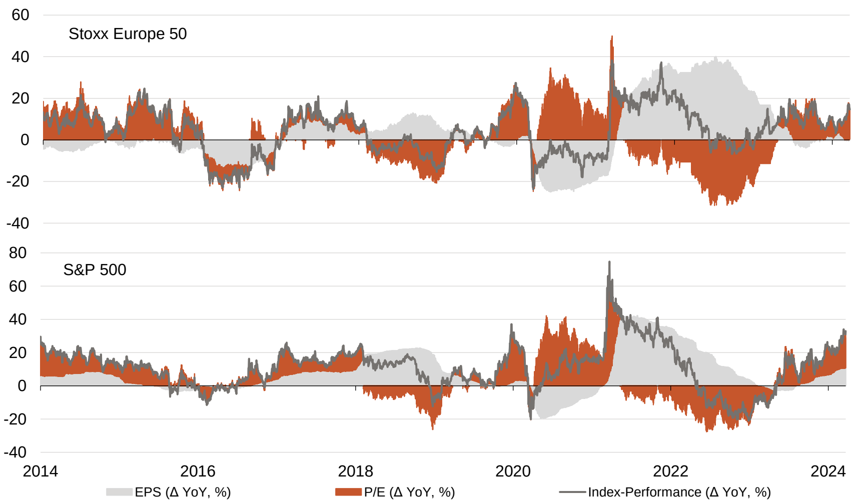
Earnings Growth



- Analysts remain optimistic for 2024 as a whole. They anticipate earnings growth of over 15% for the emerging markets and just under 10% for the industrialised nations.
- According to analyst consensus, Asia, the USA and Japan are likely to lead the way in terms of positive earnings growth in 2024.

Consensus expected calendar year earnings growth for selected equity regions, year-on-year and in percent. The earnings estimates of the individual companies are aggregated upwards using the index weights ("bottom-up"). Regional and Europe Sector MSCI Indices. APAC ex Japan = Asia Pacific excluding Japan
Source: FactSet, as of 22/03/2024

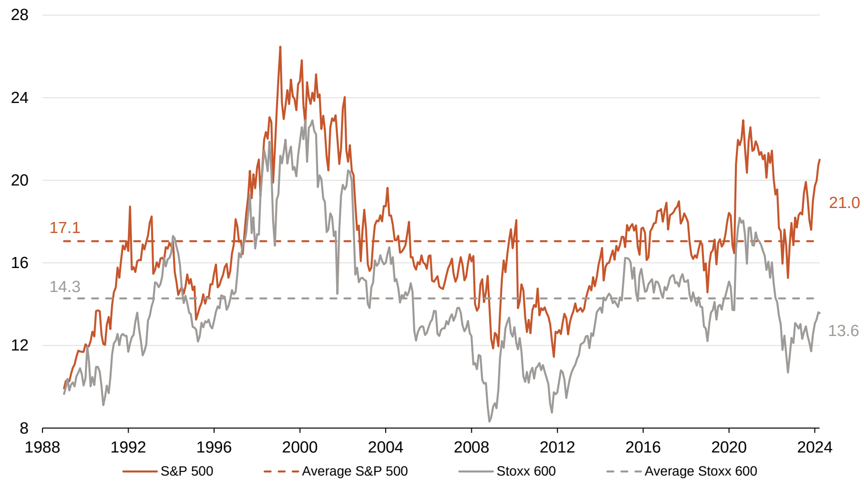
Contribution Analysis



- The index performance of the Stoxx Europe 50 over the last 12 months is exclusively attributable to an expansion in valuations.
- The situation is different for the S&P 500, where one third of the index performance over the last 12 months was driven by a positive change in earnings estimates and two thirds by an expansion in valuations.

Analysis of the drivers of stock market development over the last 12 months. The change in earnings estimates and the change in valuation (price-earnings ratio) are taken into account. EPS = earnings per share
Source: Bloomberg, Time period: 01/01/2014 - 22/03/2024

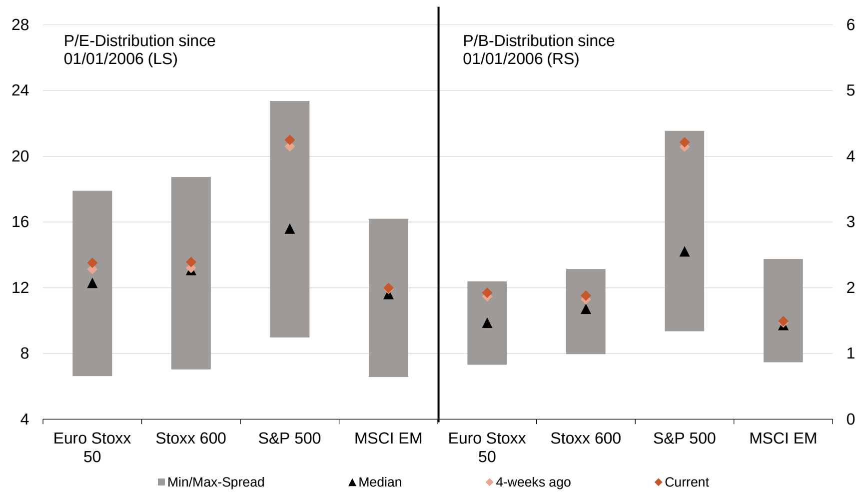
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The equity markets have continued their valuation expansion in recent weeks. With a P/E ratio of 21x, the S&P 500 is as expensively valued as it was at the end of 2021.
- The P/E ratios of European shares have also widened further. The P/E ratio of the Stoxx 600 is increasingly approaching its historical average since 1988 as a result of the recent valuation expansion.

P/E valuation based on earnings estimates for the next twelve months of European and US equities as well as the respective P/E average since 1988. *For the Stoxx 600, the history before 2000 was taken from MSCI Europe.
Source: Bloomberg, Factset, Time period: 31/12/1987 - 22/03/2024

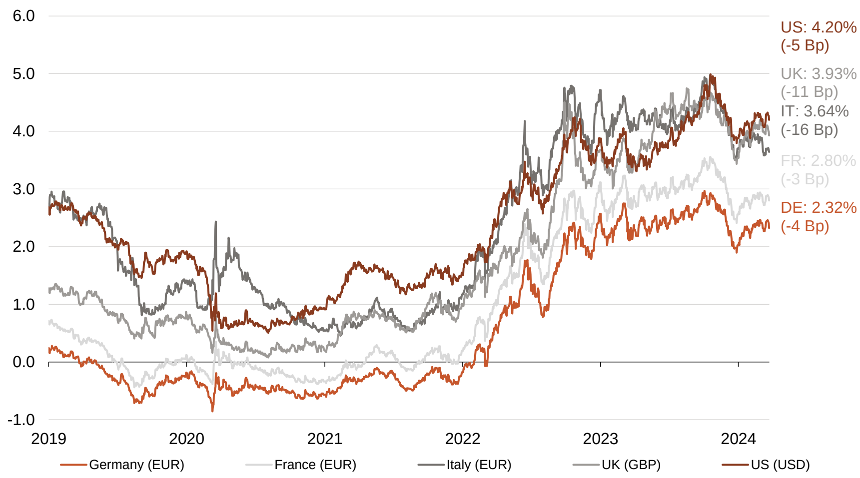
Historical Distribution: Price/Earnings and Price/Book Ratio



- As valuations continue to expand, the S&P 500 and the Euro Stoxx 50 are now trading close to their historic highs since 2006 on a P/B basis.
- On a P/E basis, European, US and emerging market equities are also trading above the historical median values since 2006.

Historical distribution of valuation ratios for selected equity regions since 2006. In addition to the current value, the observation four weeks ago and the historical median, the maximum (upper limit of the grey bar) and minimum (lower limit of the grey bar) are shown.
Source: Bloomberg, Time period: 01/01/2006 - 22/03/2024

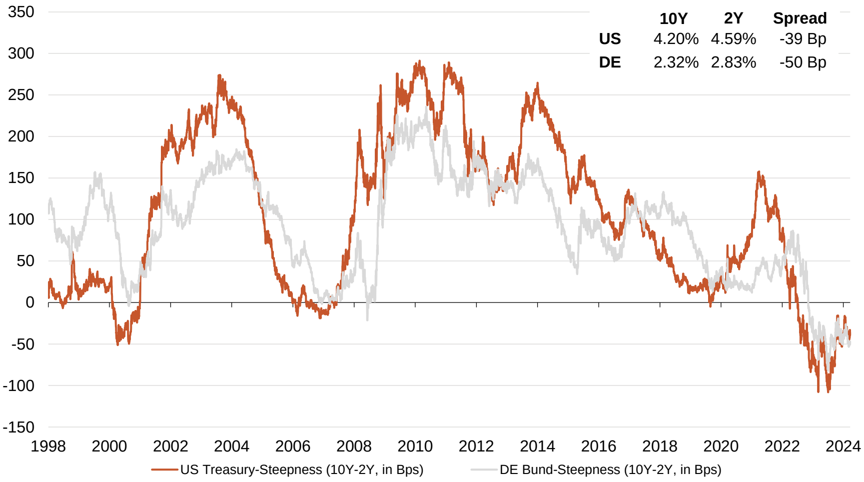
10-Year Government Bond Yields



- The last few weeks have been dominated by central banks. In addition to the Fed and the BoE, the Swiss central bank in particular was the first major western central bank to surprise more dovishly than expected with its first interest rate cut in this cycle.
- Yields on safe government bonds have fallen accordingly over the last four weeks. The development of British gilts was additionally reinforced by the unexpectedly cooler inflation.

Effective yield on 10-year government bonds and change over the last four weeks in basis points (in brackets).
Source: Bloomberg, Time period: 01/01/2019 - 22/03/2024

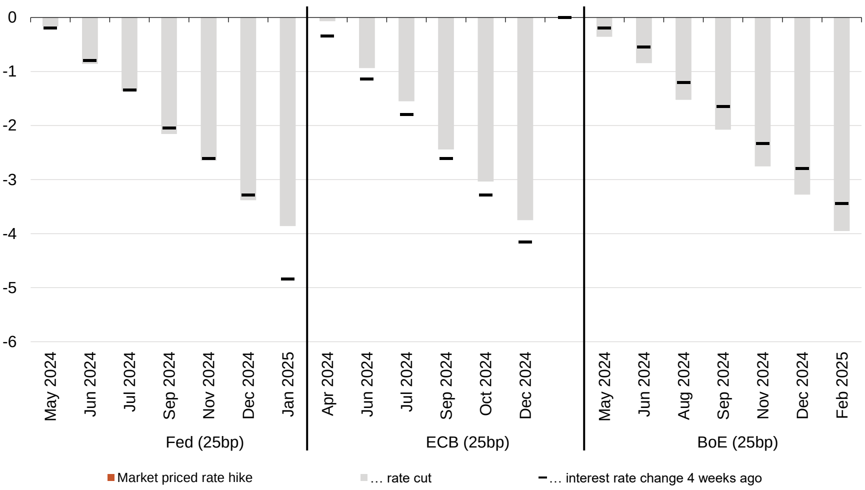
Yield Curve Steepness (10Y - 2Y)



- Over the last two weeks, yields at the long end have risen slightly more than at the short end.
- The interest rate differential between 2-year and 10-year US government bonds changed only slightly over the same period, from -40 basis points to -39 basis points.

The yield curve distinguishes between the so-called short end and the long end. The reason for this is the way in which factors influence yields. Central banks control the short end of the curve through their monetary policy and key interest rates. In contrast, the long end is influenced less by central banks and more by inflation expectations, supply, demand and risk premiums.
Source: Bloomberg, Time period: 01/01/1998 - 22/03/2024

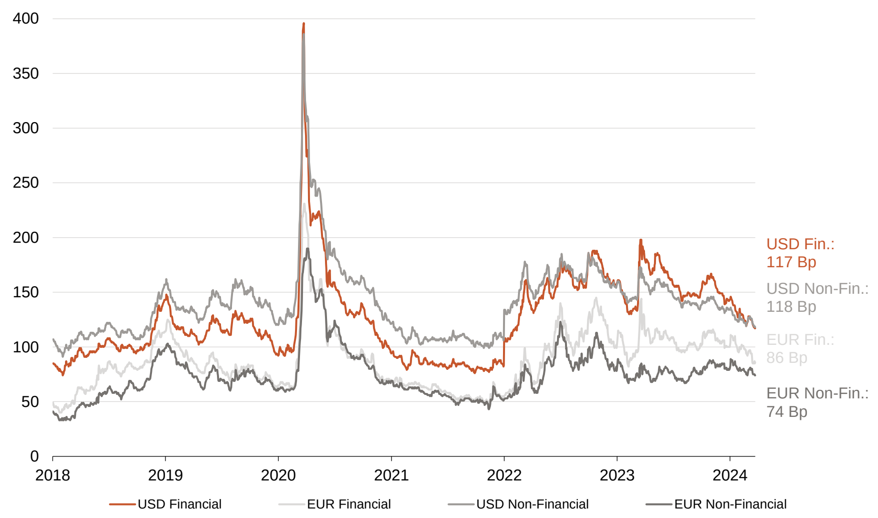
Implicit Changes in Key Interest Rates



- Following the recently more dovish statements from the major central banks, the market is expecting the Fed, ECB and BoE to cut interest rates for the first time in summer 2024.
- For all three central banks presented here, the market is currently expecting around three interest rate cuts of 25 basis points each by the end of the year.

Derivatives on money market interest rates - such as the fed funds futures - can be used to determine the change (number of steps) in the key interest rate priced by the market.
Source: Bloomberg, Time period: 22/02/2024 - 22/03/2024

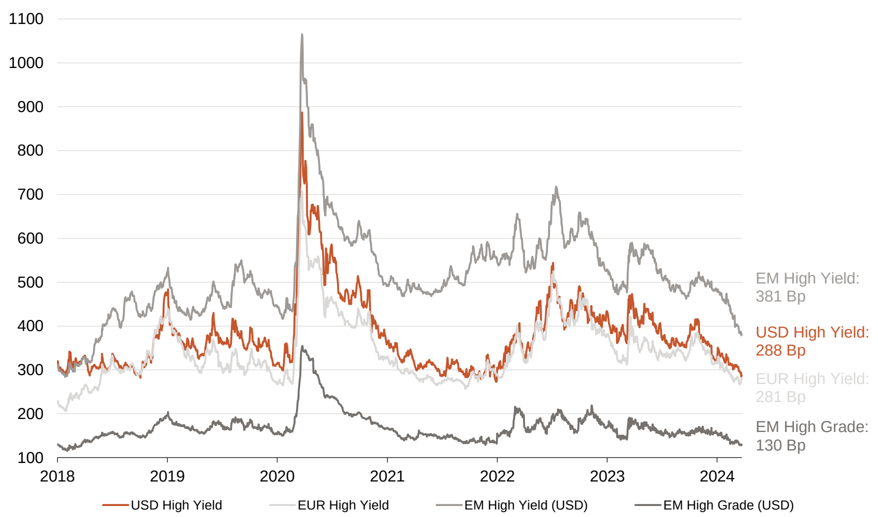
Credit Spreads Financial and Non-Financial Bonds



- Over the last two weeks, risk premiums on USD and EUR investment grade corporate bonds have narrowed.
- The spreads of EUR financial and non-financial bonds narrowed by 10 and 7 basis points respectively. USD financial and non-financial bonds saw spreads tighten by 9 basis points each.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2019 – 22/03/2024

Credit Spreads High Yield and Emerging Markets Bonds



- A more pronounced movement was observed in USD high-yield bonds over the last two weeks. Risk premiums even fell by 20 basis points here.
- High-yield bonds from emerging markets also saw a significant spread tightening of 20 basis points.

How high the risk associated with the corporate bond is shown by its asset swap spread (in bp). This indicates the yield that the issuer must pay in addition to the swap rate for the respective term as compensation for its credit risk. See further explanation below.
Source: FactSet, Time period: 01/01/2019 – 22/03/2024

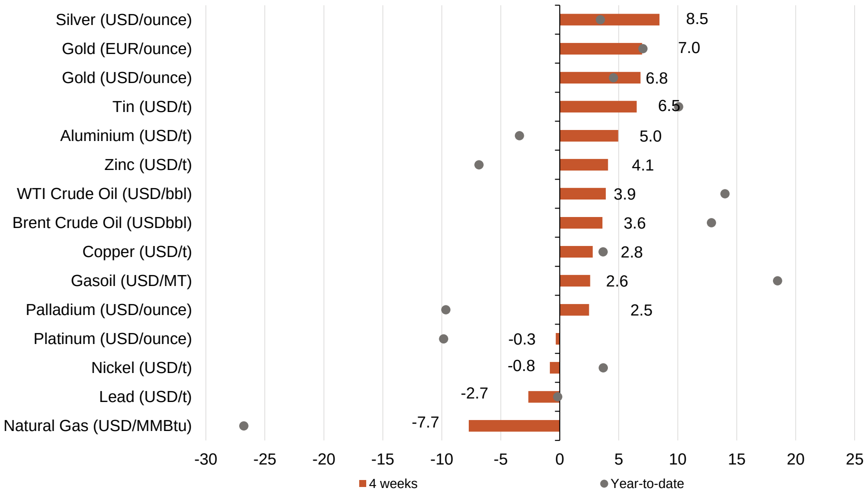
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	22/03/23 22/03/24	22/03/22 22/03/23	22/03/21 22/03/22	22/03/20 22/03/21	22/03/19 22/03/20
EUR Government	2.95	-0.13	7.2	-	-	-	1.2	-0.7	4.0	-12.2	-6.2	2.6	4.2
Germany	2.49	-0.11	7.3	-	-	-	0.8	-1.7	1.9	-12.3	-4.9	-1.2	3.0
EUR Corporate	3.78	-0.15	4.4	79	-3	55	1.0	0.2	6.9	-8.0	-5.6	8.9	-3.4
Financial	4.00	-0.18	3.7	86	-8	48	1.1	0.5	7.5	-6.9	-4.8	9.9	-4.5
Non-Financial	3.64	-0.14	4.8	74	-1	58	0.9	0.0	6.5	-8.6	-6.1	8.3	-2.7
EUR High Yield	6.62	0.12	3.1	281	5	19	0.2	1.4	11.3	-4.8	-3.2	27.8	-13.6
US Treasury	4.43	-0.09	6.2	-	-	-	1.0	-1.1	-0.4	-4.4	-4.1	-3.1	12.3
USD Corporate	5.37	-0.12	6.7	118	-1	29	1.2	-0.2	4.9	-4.7	-5.1	16.9	-2.0
Financial	5.52	-0.11	5.0	117	-2	44	1.1	0.6	6.1	-3.6	-4.9	16.1	-1.7
Non-Financial	5.31	-0.12	7.5	118	-1	25	1.2	-0.6	4.3	-5.2	-5.2	17.3	-2.2
USD High Yield	7.83	-0.16	3.8	288	-13	1	1.3	1.4	12.5	-4.0	-0.6	31.0	-13.1
EM High Grade	5.48	-0.12	5.2	130	-2	2	1.1	0.4	5.5	-4.4	-7.0	11.0	0.5
EM High Yield	8.71	-0.35	3.9	381	-35	7	1.5	3.7	12.4	-3.3	-14.8	32.1	-12.1

- Over the last four weeks, all of the bond segments shown here have performed positively. High-yield bonds from emerging markets in particular rose.
- The risk premiums on high-yield bonds have become even less attractive following the recent narrowing of spreads. The risk premiums of USD high-yield bonds are now in the 1st percentile of the last 10 years.

ICE BofA indices in the following sequence: Euro Government; German Government; Euro Corporate; Euro Financial; Euro Non-Financial; Euro High Yield; US Treasury; US Corporate; US Financial; US Non-Financial; US High Yield; High Grade Emerging Markets Corporate Plus; High Yield Emerging Markets Corporate Plus. EM indices are hard currency bonds.
Source: FactSet, Time period: 22/03/2014 – 22/03/2024

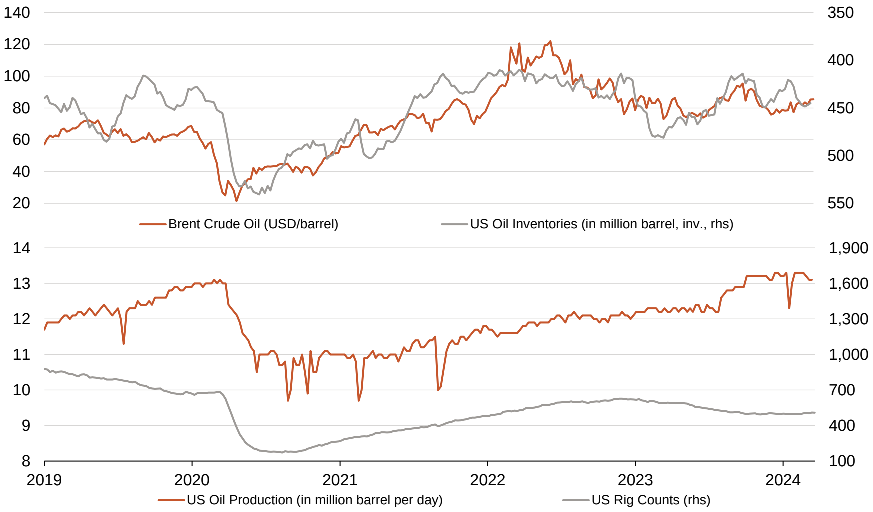
Commodities Performance



- Commodities performed very positively across the board last month.
- They were led by precious metals, which benefited in particular from the firming expectations of lower interest rates.
- Industrial metals benefited from a series of positive economic surprises and from China's announcement that it would promote renewable energies even more strongly.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 22/03/2024

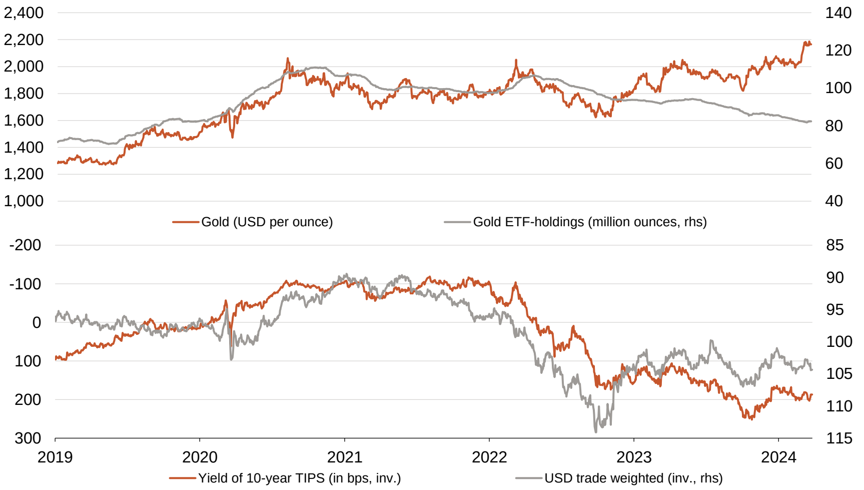
Crude Oil



- After initially reacting only modestly to the extension of OPEC's voluntary production cuts at the beginning of March, the oil price gained some momentum in the last two weeks.
- The main drivers for this increase included the reduction in US inventories and a positive demand forecast by the IEA for 2024. In addition, the priced-in risk premium increased due to the Ukrainian drone attacks on Russian refineries.

Higher oil production and higher inventories tend to weigh on oil prices and vice versa. An increase in active oil wells indicates higher oil production in the future.
Source: Bloomberg, Time period: 01/01/2019 - 22/03/2024

Gold



- Following its rally to a new all-time high at the beginning of March, the price of gold held above the USD 2,150 per ounce mark. The Fed's confirmation of the three expected interest rate cuts by the end of the year provided some support for the gold price.

The US dollar and the real, i.e. inflation-adjusted, interest rate are among the fundamental price factors of the gold price. Rising real interest rates tend to weigh on the gold price, while falling real interest rates have a supportive effect. The same applies to the US dollar. The development of gold ETF holdings reflects financial investors' demand for gold.
Source: Bloomberg, Time period: 01/01/2019 - 22/03/2024

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